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# Mortgage Firm Is Sued for Dealing with Rewald

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A 69-year-old woman sued a mortgage company yesterday for allowing Ronald Rewald to re-mortgage her house without her knowledge and borrow \$227,500.

Nancy Jane Mitchell alleges that, although she had given Rewald her power of attorney, she had no idea that Rewald had mortgaged her home at Pueohala Place in Kailua in April 1983.

She is asking that Pacific Coast Mortgage Corp. pay her \$500,000 in punitive damages and that title to the house be returned to her free and clear. Officials of the mortgage company could not be reached for comment.

Thomas Hayes, administrator of Rewald's bankrupt company Bishop, Baldwin, Rewald, Dillingham & Wong, said the nearly quarter of a million dollars that Rewald received from the mortgage company was spent within 10 days.

"They were desperate for money at that time," Hayes said of Rewald's operation.

HAYES CLAIMS that Rewald's company was a "Ponzi scheme" in which money put into the

company by new investors was used to pay interest owed to earlier investors and for company operating costs.

Rewald denies that and says in court papers that his company was set up by the CIA to conduct worldwide covert operations.

Rewald is on the Mainland and was unavailable for comment. His attorney, Robert Smith, refused all calls concerning Rewald.

Sources close to the case said Smith is preparing to withdraw as Rewald's civil counsel because he cannot continue to represent Rewald in the expensive court battle without being paid. All of Rewald's assets are frozen by a federal court order.

HAYES BELIEVES what happened to Mitchell is typical of the way Rewald ran his business.

The Mitchell case is even more striking because, according to Mitchell, Rewald re-mortgaged her house without her knowledge and left her with a \$400,000 obligation to the mortgage company.

Hayes said about \$227,000 was received from the escrow service in April 1983. It was put in a Bishop, Baldwin checking account and then transferred to another account in a brokerage company.

Shortly thereafter, it was transferred again to the large "investment account" at Hawaii National Bank where, within 10 days, it was all spent.

The millions of dollars of investors' money poured through the investment account, which one federal judge likened to a "poi bowl," and was spent on Rewald's expenses, to run the company and to pay investors.

LITTLE OF IT was actually invested, officials have said. Rewald claims in court papers that the CIA used the account to funnel money to secret projects.

John Paer, the attorney representing Mitchell, would not comment on the suit or say why Rewald was not included as a defendant.

According to the suit, Rewald negotiated a credit transaction of \$400,000 with Pacific Coast Mortgage Corp. in Mitchell's name. About \$160,000 of the loan was used to pay off what was owed on the old mortgage.

Mitchell says that neither Rewald nor the mortgage company told her about the deal. She said she did not find out about the loan until August 1983, when Rewald attempted suicide and his company collapsed.